

HOUSE BILL 1671
By Fitzhugh

AN ACT to enact the Tennessee Child Care Affordability Act of 2005" and to amend Tennessee Code Annotated, Title 37; Title 67; Title 68 and Title 71, relative to child care funding. This act makes appropriations for child care funding for an indefinite period.

BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF TENNESSEE:

SECTION 1. The title of this act is, and may be cited as, the "Tennessee Child Care Affordability Act of 2005."

SECTION 2.

(a) As the number of parents who enter the workforce increases through welfare to work programs, increased funding is needed to help families pay for the care of their children. It is the intent of the general assembly to assist low income families in attaining safe, reliable, and quality child care. Cost-effective intervention through child care is appropriate when billions of dollars are spent to address the aftermath of criminal, social, and health problems resulting from neglected children.

(b) To protect the health and welfare of children, it is the intent of the general assembly to develop a regulatory framework that promotes the growth and stability of the child care industry and facilitates the safe physical, intellectual, and social development of children.

(c) It is the further intent of the general assembly to provide and to make accessible child care opportunities for at-risk and economically disadvantaged children. In achieving this intent, the general assembly shall enhance the child care system to meet the child care needs of this state.

SECTION 3. The department of human services shall take all reasonable measures to apply for, maintain, and fully utilize all federal funds available for services related to child care for low-income persons, including but not limited to the following:

- (1) The child care and development block grant (CCDBG);
- (2) The social services block grant (SSBG), to the extent applicable for achieving economic self-sufficiency and preventing or remedying child abuse and neglect; and
- (3) Any funding option available to the department of human services through the use of temporary assistance for needy families (TANF) funds for child care services.

SECTION 4. The commissioner of finance and administration shall identify those funds that are allocated to local governments by the state specifically for social services programs, and shall require that ten percent (10%) of those identified funds be used specifically for improving the availability of child care subsidies and improving the child care services that are now available for low income working families.

SECTION 5. Tennessee Code Annotated, Section 67-4-2009(3), is amended by inserting the following as new items (C) and (D) thereto:

(C) There shall be allowed a credit for any taxpayer against the tax imposed under this part for any income year, in an amount equal to one hundred percent (100%) of the first fifty thousand dollars (\$50,000) and fifty percent (50%) of the next fifty thousand dollars (\$50,000) paid or incurred by such taxpayer in such income year for the purpose of staffing, or of providing supplies or equipment for temporary use in, an on-site child care facility that is being used primarily by the children of the taxpayer's employees, or paid or incurred by such taxpayer in providing financial assistance to employees as an employee benefit to defray their child care costs.

(D) The credits permitted under item (3)(A) shall be allowed only under the following conditions:

(i) No expense that is claimed for a credit pursuant to item (3)(A) may be claimed for a credit pursuant to item (3)(C); and

(ii) If the total amount of the taxpayer's franchise tax is greater than the total amount of the taxpayer's excise tax, then a franchise tax credit is allowed pursuant to § 67-4-2109(b)(3), but an excise tax credit pursuant to this section is not allowed.

SECTION 6. Tennessee Code Annotated, Section 67-4-2109(b), is amended by inserting the following as new subdivisions (3) and (4) thereto:

(3) There shall be allowed a credit for any taxpayer against the tax imposed under this part for any income year, in an amount equal to one hundred percent (100%) of the first fifty thousand dollars (\$50,000) and fifty percent (50%) of the next fifty thousand dollars (\$50,000) paid or incurred by such taxpayer in such income year for the purpose of staffing, or of providing supplies or equipment for temporary use in, an on-site child care facility that is being used primarily by the children of the taxpayer's employees, or paid or incurred by such taxpayer in providing financial assistance to employees as an employee benefit to defray their child care costs.

(4) The credits permitted under subdivision (b)(3) shall be allowed only under the following conditions:

(A) No expense that is claimed for a credit pursuant to subdivision (b)(1) may be claimed for a credit pursuant to subdivision (b)(3); and

(B) If the total amount of the taxpayer's excise tax is greater than the total amount of the taxpayer's franchise tax, then an excise tax credit is allowed pursuant to § 67-4-2009(3)(C), but a franchise tax credit pursuant to this section is not allowed.

SECTION 7. Tennessee Code Annotated, Section 67-4-1004, is amended by deleting subsection (a) in its entirety and by substituting instead the following:

(a) The rate shall be ten and $\frac{3}{20}$ (10.15) mills on each cigarette. Of this rate, $\frac{3}{20}$ of a mill (0.15 mills) per cigarette shall be distributed by the department directly to the department of human services, for the use of that department to subsidize the cost of child care services for low income families.

SECTION 8. This act shall take effect July 1, 2005, the public welfare requiring it.